Creating Payment Energy

Unlocking the value of B2B payment networks

September 2014
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The MasterCard / Basware ‘Creating Payment Energy’ research looks at how the tension between cash management and efficient payment processes can influence business performance and considers the implications for suppliers and buyers across the wider commercial environment.

A positive sign from this research is that organizations are taking an assertive position on cashflow in order to stabilize working capital. However, businesses also recognize that such measures can put the payment ecosystem at a disadvantage. Furthermore, companies do not always unlock the value that ‘hoarded’ cash represents, to the detriment of their own business models.

With businesses experiencing continual downward pressures on prices, the possible outcome of defensive cash management on the buyer side is that invoice discounting and negotiation becomes the norm.

The research calls on buyers, suppliers and intermediaries to energize the payment processes that are so often compromised by bad habits and complexity, resulting in unnecessary inefficiency. A balanced payment network benefits all.

Research Methodology

1,015 senior strategic decision makers within finance with a view of both Accounts Receivable and Accounts Payable processes completed the survey during June / July 2014. Respondents are equally split between SMEs (50-499 employees) and enterprises (500 or more employees). Regions surveyed include Australia, Belgium, Denmark, Finland, Germany, Netherlands, Norway, Sweden, UK and US. Research conducted by Loudhouse, an independent research agency based in London.

Research Overview

Over 1,000 strategic decision makers within finance with a view of both Accounts Receivable and Accounts Payable processes and issues completed the survey during June/July 2014

<table>
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<tr>
<th>Country</th>
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<tbody>
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Late payment culture spells trouble for global businesses

Obstacles causing payment inertia range from apathy and a financial mindset that seeks to protect cash reserves, through to process bottlenecks and a lack of automation.
Cash hoarding and price pressure
- Almost half (48%) of businesses surveyed have more cash in the bank compared with a year ago, with only 11% in a weaker cash position
- 69% of respondents have a clearly stated goal to generate value (cash) from the existing cash in the bank by investment or other means
- 66% say they are experiencing more downward price pressure than three years ago

Businesses resigned to payment conflicts
- While 88% of respondents feel that suppliers should be paid promptly, 57% have actively delayed payments in the past 12 months
- 67% of respondents have used payment terms as a strategic lever to help manage cashflow
- 74% of businesses think late payment is a fact of business life and will always happen
- 90% of respondents see payment delays having wider repercussions for the business environment
Key findings continued:

Challenges with process delays and discounts

- Suppliers are offering discounts but value and benefits are variable
- However, 69% of businesses state that process bottlenecks compromise their ability to access supplier discounts
- Respondents estimate that they could save, on average, 14% of overall financial expenditure if all customer invoices were settled on optimum payment terms in their business
- Only 1 in 4 businesses has highly automated processes with fully optimized systems to manage invoice payment efficiently

The flow of cash is fundamental to business value

- Businesses have a responsibility to themselves and their supply chain to keep money moving – indeed, this goes to the heart of good business practice
- 82% of businesses would invest more in their organization if all invoices were paid promptly
- While a certain level of cash hoarding may be understandable given the financial climate, it also reflects inefficient processes and poor practices

So what can organizations do, given these findings?

Opportunities do exist to make improvements to payment processes, and these should be seized. Measures such as reviewing overall payment strategy, leveraging new payment technologies and proactively managing finance options for the business create an optimal mix for financial decision makers to consider. Improvement within these areas will deliver greater visibility and control of process, contribute to better external relationships and add value to the bottom line.

Transforming payment practices will provide competitive B2B advantage

1 in 4 businesses has highly automated processes with fully optimized systems to manage invoice payment efficiently

Creating Payment Energy

5
Businesses feel price pressures

66% of the organizations we spoke to are experiencing more downward price pressure than three years ago.

As our research tells us, business is still tough, and will no doubt continue to be so – as shown in Figure 1, 66% of the organizations we spoke to are experiencing more downward price pressure than three years ago.

All the same however, organizations are arriving in a more financially stable state, not least with more cash in the bank. This appears to be good news – after all, who wants to be cash-poor? However, as our findings show, the money is not always being put to work. This calls into question one of the fundamentals of good business – bluntly, no organization is going to get any richer by burying their money in a hole.

In parallel, relationships between suppliers and customers are changing. Catalyzed by technology, businesses of all sizes are engaging more closely and sharing more deeply with their stakeholders: as a result we are seeing a transformation in both the supplier network and the customer landscape.

A level of risk-averse behavior is understandable, given the state of the market; equally, there may have been scant time to turn newly visible opportunities into action. The danger, however, is that payments functions continue to operate without considering the broader effects of their actions, coping with inefficiencies in absence of a long-term view.

In this report we look at these and other challenges starting with the issue of late payment.

Price pressure

We are experiencing more downward price pressure now than three years ago

<table>
<thead>
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<td>Tend to Agree</td>
<td>45%</td>
</tr>
<tr>
<td>Tend to Disagree</td>
<td>20%</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>9%</td>
</tr>
<tr>
<td>Don't Know</td>
<td>5%</td>
</tr>
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</table>
Businesses are resigned to payment conflicts

The familiar issue of late payments constitutes one of the most fundamental dilemmas affecting business today.

57% of organizations have delayed payments to their suppliers in the past 12 months

Our research shows that only a small minority of organizations feel that delaying payments to suppliers is acceptable – as Figure 2 shows, some 88% believe they have a social responsibility to pay their suppliers promptly, and 81% think all organizations should ensure that payment across the supply chain works as efficiently as possible.

While such responsibilities are confirmed in principle, they are not always translating into practice. Figure 3 illustrates how recent actions speak louder than words, in that 57% of organizations have delayed payments to their suppliers in the past 12 months. Such behavior may be seen as justifiable given the economic times, but this means a considerable number of organizations are actively putting their own business integrity at stake. Only 16% of respondents stated they never pay suppliers late.

Social responsibility

We have a social responsibility to pay our suppliers promptly.

Strongly Agree 52%
Tend to Agree 36%
Tend to Disagree 9%
Strongly Disagree 2%
Don’t Know 1%

‘Agree’ 88% 

Improvements to cash situations

Payment terms are the key lever businesses use to improve their cash position

Delaying paying suppliers 57%
Tightened its payment terms for buyers 44%
Started or added more focus on e-invoicing 43%
Accessed credit / Finance 41%
Project bank accounts 38%
Discount invoicing 37%
Dynamic discounting 37%
Asset based lending 35%
Factoring 35%
Supplier finance / reverse factoring 34%
Adopted P-cards 33%

Q: Which of the following has your organization done, or sought advice / information on in the last 12 months to help improve its cash position?

Figure 2

Creating Payment Energy
Used properly, payment terms are seen by many organizations as a primary tool to help manage cashflow, as reported by 48% of our sample; other criteria include holding onto cash reserves as long as possible (32%) and earning interest on cash held (24%). In practice, adjusting payment terms either means flexing the period between invoice and payment, or considering a discount for early payment (or indeed, a penalty for late payment). As shown in Figure 4, a significant proportion of businesses have used payment terms as a strategic lever to help manage cashflow, either as buyers (61%) or as suppliers (53%) – indeed, some 67% of organizations have done one or the other.

Whilst appearing to be strategic, much of what happens with payment delays is reactive, or, surprisingly, just a finance ‘norm’: Indeed according to Figure 5, some 74% believe late payment is a fact of business life and will always happen.

As Figure 6 demonstrates, a compelling 90% of respondents are keen to point out the wider repercussions of late payments on the business environment as a whole.

Figure 7 shows that there are significant practical challenges resulting from process inefficiency, including access to supplier discounts (74%) and time spent dealing with suppliers chasing payments.

At a regional level, the attitude to the commercial impact of late payment varies considerably: for example, while this figure is much lower in Germany (39%) and the Netherlands (44%), it rises to 85% in Sweden and remains high in other Nordic regions. [See country appendices]
Late payment is a fact of business life and will always happen...

As buyers and suppliers, more than half of organizations use payment terms as strategic lever to manage their cashflow.

*Figure 4*

**Using payment terms as a strategic lever**

**As a buyer**

- 61% Yes
- 6% Don’t Know
- 33% No

**As a supplier**

- 53% Yes
- 9% Don’t Know
- 38% No

*Figure 5*

**‘Agree’**

- 74%
- 52% Tend to Agree
- 21% Strongly Agree
- 6% Strongly Disagree
- 19% Tend to Disagree
- 6% Disagree
- 33% No
- 9% Don’t Know
Impacts of persistent late invoice payment

- Limits flow of funds between buyers and sellers: 45%
- Limits flow of funds between employers and workers: 40%
- Limits flow of funds between companies and investors: 37%
- Limits growth of the economy: 31%
- Increased taxes: 21%
- Limits employment / jobs: 13%
- Other: 1%
- None of the above: 10%

Accounts payable pain points

- Difficulties in getting discounts from suppliers: 74%
- Time spent dealing with suppliers chasing for payment: 70%
- Operational costs around reconciliation between invoice and payment: 63%

Q: To what extent are the following considered as pain points for your accounts payable function?

Figure 7

90% of organizations see late payment as having wider issues - limiting the flow of funds between buyers and sellers, employers and workers, company investors and limiting the growth of the economy.

Q: What do you see as the potential wider commercial impacts of persistent late payment of invoices?

Figure 6
The good news is that organizations appear to be more financially stable than this time last year. As Figure 8 shows, almost half (48%) of businesses surveyed have more cash in the bank compared to twelve months ago, with only 11% in a weaker cash position.

Respondents tell us that this improvement in fortunes is not simply down to market forces, but also the proactive steps taken by their organization to help improve their cash position over the last 12 months. As shown in Figure 3, as well as delaying supplier payments:

- 44% of businesses have looked at tightening payment terms for buyers
- 43% have placed more focus on e-invoicing
- 41% have accessed credit / finance facilities

Future indications suggest that business will be ‘hard but fair’ – that is, opportunities exist but there is no magic formula to generating revenue. Given the financial climate, it is understandable that organizations are more proactive in drawing in funds, as well as being more risk-averse when it comes to spending – leading to the reported accumulation of cash.

Cash is undoubtedly good for business – when spent, it feeds investment in products and services, catalyzes broader reach and deeper customer engagement, and funds staff training and development. Similarly, as reported by a third of respondents, the direct impact of cashflow pressures on the business and its operations can be profound: 32% are reporting that critical operational expenditure is reduced; 27% that the finance team has worked longer hours and 26% that poor strategic decisions have been made to resolve the issues.

For those with cash reserves in place, the majority want to put it to work – understandably, 69% of respondents have a clearly stated goal to generate revenue from the existing cash in the bank (by investment or other means), and only one in five companies lack such an objective.

The downside is that a build-up of cash reserves suggests the overall tendency of a business to hoard rather than invest excess funds, which means money is not being put to work for the business.

Cash position compared to a year ago

Half of businesses are hoarding cash and have more cash in the bank now than they did a year ago

Nordic organizations are far more likely to have a stated goal for generating value from cash held in the business – for example 90% of Swedish organizations and 92% of Danish organizations report such a position, whereas in the UK, the Netherlands and Germany, the figure falls to 55%, 52% and 48% respectively.
Challenges with process delays and working capital optimization

Organizations are considering how they can improve their cashflow by adjusting payment processes and reviewing discount capture.

74% of respondents see obtaining discounts from suppliers as a key pain point. Not only this, but some 69% of organizations state that their ability to take advantage of supplier discounts is compromised due to their own process bottlenecks.

In other words, a significant factor preventing customers capitalizing on supplier discounts is their own inefficient processes and practices. As a result, for example, only 21% of suppliers are involved in early payment programmes with customer organizations. If such inefficiencies were reduced, this could push the market more to the advantage of the buyer, putting further pressure on suppliers to reduce their prices.

In reality, such a buyers-market scenario looks unlikely, given the high proportion of buyer businesses that see themselves as running an inefficient operation. In addition to the process bottlenecks mentioned above, Figure 7 also shows that managing operational costs around reconciliation between invoice and payment (63%), and ensuring the smooth running of invoice approval cycles (61%), are seen as significant pain points. While these issues slow down payments, they preserve the status quo to the potential benefit of the suppliers concerned.

What is causing these inefficiencies? 59% of organizations recognize that they lack the systems and automation necessary to facilitate timely payment, and are forced to rely on sub-optimal manual processes. This has inevitable knock-on effects on payment terms – indeed, one in five buyers say they have to extend payment terms because they do not have the necessary systems or automation in place to approve invoices, resulting in inevitable delays.
Of the sample overall, as shown in Figure 9, just one in three suppliers have the capability to send e-invoices and one in four buyers receives e-invoices. Lack of automation has implications for efficiency and cashflow across the payment eco-system.

The global average for highly optimized systems to process invoice payments [Figure 9] shows a level of difference across key regions in the research. While the figure increases somewhat in Nordic countries (29% in Sweden for example), it drops to 19% for the US and a paltry 16% for the UK. Mainland European regions, such as Germany (22%), Netherlands (22%) and Belgium (21%) sit closer to the mean average, along with Australia (24%).

**Automation to manage invoice payment efficiency**

*Only 1 in 4 businesses has highly automated processes with fully optimized systems to manage invoice payment efficiency*

**8%**
We capture, process and analyze payments with mostly non-automated, manual systems

**21%**
Limited automated systems to capture, process and analyze payment information and processes

**42%**
Somewhat automated with systems to capture, process and analyze payment information and processes

**4%**
None of the above

**2%**
Don’t know

**23%**
Highly automated with fully optimized systems to capture, process and analyze payment information and processes

*Figure 9*
The flow of cash is fundamental to business value

Payment conflicts, cash hoarding and process inefficiencies combine to have a detrimental effect on B2B commerce, payment networks and the business environment overall.

82% of businesses would see tangible benefits if their customers paid invoices on time

The reality for most businesses is that cashflow concerns often translate into a default ‘defensive’ position that limits growth opportunities, with further implications for quality, customer service and innovation.

Businesses have a responsibility to themselves and their supply chain to keep money moving, to make payments within defined criteria and to negotiate sensible deals with their customers – indeed, such principles are crucial to ensuring the health of the business ecosystem, which has an impact on both local and global competitiveness.

The ultimate goal of business is to create incremental value through the efficient delivery of products and services, leveraging financing in a variety of forms, from loans and leasing through to accounts payable and receivable. Just how much of a role does the latter play in the greater scheme of things? According to Figure 10, 82% of businesses would see tangible benefits if their customers paid invoices on time – not least, they would invest more in their business overall (48%), have improved relationships with creditors (46%) and reduce their credit lines (38%).

Meanwhile cash-strapped organizations are finding themselves compromised. The number one issue resulting from late payment of invoices, as reported by 39% of organizations, is trouble paying salaries – quite clearly not a situation any organization wants to find itself in. Paying suppliers (36%), capital spending and investments (36%) and overall financial security (36%) are the other areas most impacted by pressures placed on a business’ cash situation.

On the supplier side, the main cashflow challenges become even more tangible – if suppliers don’t get paid, they struggle. The number one challenge is the risk of non-payment by customers, reflected by 42% of respondents. This couples with the (wasteful) time spent chasing for payment (33%) and the potential risk to customer relationships (26%) – all of which can have a tangible cost to the business. If the salary of the goods receivable ‘chaser’ is taken into account, the margin benefits of a given sale can quickly be undermined if many hours need to be employed to make a payment happen.
Benefits of timely payment

Prompt payment is seen by suppliers to enable them to invest more in their business, to improve relationships with creditors and reduce credit lines.

If every customer paid invoices on time we would be able to...

- Invest more in our business overall: 48%
- Improve relationships with creditors: 46%
- Reduce our credit lines: 38%
- Improve relationships with the banks: 35%
- Reduce resources committed to payment settling: 32%
- Borrow more easily to invest: 13%
- None of the above: 7%

82% of respondents selected one or more of the options highlighted.

Q: Please select any options from the list that you believe would result from the following statement: If every customer paid invoices on time we would be able to...

Figure 10
Businesses see late payment as detrimental on many levels. As a commercial and cultural ‘habit’ of business, a systemic approach to energizing payments is urgently required. Companies need to look at how they utilize credit options and finance tools, overall liquidity and payment networks they use to manage payments. These factors create confidence in cash management.

Organizations recognize that a cash management strategy has implications for the rest of the business and the wider ecosystem. Creating the right balance of a healthy balance sheet and an efficient, fair payment process relies on leveraging new technology, looking at innovative Supplier Credit Finance and aligning these options to commercial needs.

Intermediaries challenging payment inertia

The importance of intermediaries has increased due to globalization and automation. Payment processes and credit facilities are tools to mitigate the risks of inertia, energizing the flow of funds between buyers to create flexibility in the payment supply chain. It stands to reason that if an organization can operate more efficiently in what is a generally inefficient market landscape, it can gain ground against its competition. Embracing B2B networks and the new finance tools available in the market can generate tangible financial gains.

Payment ecosystem energy

While simplistic use of payment terms can help up to a point, multiple options exist for improvements to existing practices and processes. Ecosystem-based approaches have emerged, for example transparent, flexible Supplier Credit Finance that works to the benefit of both buyers and suppliers, supported by simple adoption and onboarding services. Buyers and suppliers cannot achieve meaningful improvements to cashflow and payment in isolation. Third parties have a critical role to play.

To effect this change, businesses need to break out of more traditional thinking. While this is never going to be straightforward, the alternative is to continue to use an increasingly blunt set of instruments – not least discounting and delaying payments – which squanders the opportunity to make the most of what the new models can bring.
The payment ecosystem must deliver DPO and DSO flexibility to satisfy cash management requirements from buyers and suppliers to inject liquidity when and where required.

Five point plan

1. **Challenge Bad Habits**
   Consider and evaluate the benefits of all the tools used to support cashflow – credit, discounting, factoring and negotiation. The commercial value of such measures should be tangible and not based on habitual thinking.

2. **Strategy, Not Stalling**
   Assertive late payment is reactive and only effective in the short-term. Ensure that cash management strategy is not reduced to this activity alone. Payment processes and credit services can provide longer-term, strategic solutions.

3. **B2B Network Citizens**
   Look for ways to build more effective relationships with suppliers and partners to ensure that their cost models and risks are also being taken into account.

4. **Segmented Metrics**
   Metrics around discounting and cashflow management should take into account the diversity of a supplier or customer base. One size does not fit all.

5. **Ecosystem Partnerships**
   Payment network services are evolving to help businesses build credit and payment flexibility into financial strategy. Evaluate how intermediaries are currently adding value to your business and see where improvements could be made.
Regional summary

Unlocking the value of B2B payment networks
Australia

Australia is the region with the lowest level of take-up on delaying supplier payments as part of an overall cashflow management strategy (40%). It is also the least likely to have accessed credit or finance to support cash management (28%), while the number of businesses with more cash in the bank than 12 months ago (46%) is consistent with the global average (48%).

The region does not support the view that late payment of invoices is a ‘fact of business life’ to the same level as the global average (60%), but uses payment terms as a strategic lever to help manage cashflow in line with other regions (69%).

Australia is least affected by bottlenecks preventing businesses from accessing supplier discounts, 51% against a global average of 69%. It also has levels of payment automation nominally higher than other regions (24%).

Figure A

Which of the following has your organization done in the last 12 months to help improve its cash position?

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<tr>
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<tr>
<td>Delay paying suppliers</td>
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<td>Tightened its payment terms for buyers</td>
<td>47%</td>
<td>57%</td>
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<tr>
<td>Started or added more focus on e-invoicing</td>
<td>44%</td>
<td>47%</td>
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<td>Accessed credit / Finance</td>
<td>41%</td>
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Figure B

<table>
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<th>Question Wording</th>
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<th>Up/down</th>
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<tr>
<td>To what extent do you agree? Social responsibility to pay suppliers promptly</td>
<td>88%</td>
<td>91%</td>
<td></td>
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<tr>
<td>To what extent do you agree? Late payment is a fact of business life and will always happen</td>
<td>74%</td>
<td>60%</td>
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<td>What do you see as the potential wider commercial impacts of persistent late payment of invoices?</td>
<td>10%</td>
<td>20%</td>
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<td>To what extent do you agree? Experiencing more downward price pressure</td>
<td>66%</td>
<td>55%</td>
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<tr>
<td>To what extent do you agree? Internal bottlenecks prevent businesses taking advantage of early payment discounts</td>
<td>69%</td>
<td>51%</td>
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<tr>
<td>What type of automation does your organization have to manage invoice payment efficiency?</td>
<td>23%</td>
<td>24%</td>
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Please select any options from the list below that you believe would result from the following statement: If every customer paid invoices on time we would be able to...

- Invest more in our business overall or Improve relationships with creditors or Reduce our credit lines

Figure C

How does your organization’s current cash position compare to a year ago?

Cash position compared to a year ago

<table>
<thead>
<tr>
<th>Cash position compared to a year ago</th>
<th>46%</th>
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<td>More cash in the bank</td>
<td>48%</td>
<td>11%</td>
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<tr>
<td>No difference</td>
<td>40%</td>
<td>14%</td>
<td>46%</td>
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Is there a stated objective in your business for the finance strategy to generate value (cash) from the existing cash in the bank by investment or other means?

Strategy to generate value from existing cash

<table>
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<th>6%</th>
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<td>69%</td>
<td>22%</td>
<td>9%</td>
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<tr>
<td>No</td>
<td>32%</td>
<td>9%</td>
<td>81%</td>
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</table>

As a buyer/As a supplier, in the last 12 months have you used payment terms as a strategic lever to help manage your cashflow?

Using payment terms as a strategic lever

<table>
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<th>67%</th>
<th>69%</th>
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<td>Yes</td>
<td>61%</td>
<td>33%</td>
<td>61%</td>
</tr>
<tr>
<td>No</td>
<td>39%</td>
<td>36%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Creating Payment Energy
Belgium

Belgian businesses occupy the most moderate view of all the regions. While still consistent with the global view in terms of general direction, the region is somewhat less likely to concur that paying suppliers late is a social responsibility for all organizations (70%) and has less appetite to delay payment to suppliers as part of a cash management strategy (51%).

Belgian businesses have less focus on cash management than the global average, with fewer respondents stating they have more cash in the bank than 12 months ago (40%) and less emphasis on generating value from the cash held in the business (52%).

Levels of payment automation are in line with the global average (21%), while the degree that Belgian businesses have started or increased focus on e-invoicing as part of a cash management strategy is below other regions, 32% against an average of 43%.
Denmark

Denmark is mostly consistent with global averages on key trends in the research, such as the importance of paying suppliers on time and downward price pressures creating challenges in the business (66%).

In terms of the financial decisions and tools available to keep cash in the business, they are more likely to have accessed credit or finance to improve cash position than any other region and somewhat more likely to have delayed payment as part of an initiative to improve cashflow in the business (67%), though not to the degree of other Nordic countries.

While 48% of respondents globally state that they have more cash in the bank than 12 months ago, Denmark is notably stronger (63%). It is also the region most likely to have stated goals for generating value from cash held in the business (92%).

Danish respondents are those least likely to state that there is no commercial impact of continual late payment on suppliers (1%).

Figure A
Which of the following has your organization done in the last 12 months to help improve its cash position?

- Delay paying suppliers
- Tightened its payment terms for buyers
- Started or added more focus on e-invoicing
- Accessed credit / Finance

Figure B

<table>
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<th>Question Wording</th>
<th>Total</th>
<th>Denmark</th>
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<tr>
<td>To what extent do you agree? Social responsibility to pay suppliers promptly</td>
<td>88%</td>
<td>85%</td>
<td>-</td>
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<tr>
<td>To what extent do you agree? Late payment is a fact of business life and will always happen</td>
<td>74%</td>
<td>79%</td>
<td>▲</td>
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<tr>
<td>What do you see as the potential wider commercial impacts of persistent late payment of invoices?</td>
<td>10%</td>
<td>1%</td>
<td>▼</td>
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<tr>
<td>To what extent do you agree? Experiencing more downward price pressure</td>
<td>66%</td>
<td>66%</td>
<td>-</td>
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<tr>
<td>To what extent do you agree? Internal bottlenecks prevent businesses taking advantage of early payment discounts</td>
<td>69%</td>
<td>76%</td>
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<td>What type of automation does your organization have to manage invoice payment efficiency?</td>
<td>23%</td>
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</tr>
<tr>
<td>Please select any options from the list below that you believe would result from the following statement: If every customer paid invoices on time we would be able to...</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invest more in our business overall or Improve relationships with creditors or Reduce our credit lines</td>
<td>82%</td>
<td>79%</td>
<td>▼</td>
</tr>
</tbody>
</table>

Figure C

How does your organization’s current cash position compare to a year ago?

Cash position compared to a year ago

- More cash in the bank
- No difference
- Less cash in the bank

Is there a stated objective in your business for the finance strategy to generate value (cash) from the existing cash in the bank by investment or other means?

Strategy to generate value from existing cash

- Yes
- No
- Don’t Know

As a buyer/As a supplier, in the last 12 months have you used payment terms as a strategic lever to help manage your cashflow?

Using payment terms as a strategic lever

- Yes
- No
Finland

Finland has the highest level of support for the sentiment that all suppliers should be paid on time. However, it also shows the widest take up of delayed supplier payments to improve a company’s cash position (79%).

One reason for this conflict between sentiment and company action is possibly that Finnish respondents state one of the highest levels of downward price pressures from customers, making margin and cash management difficult.

With a higher stated goal of generating value from cash in the business (85%) than the global average and also 65% of Finnish respondents stating that they are in a stronger cash position than a year ago, a cash management strategy is clearly paying dividends for the region.

This cash benefit is achieved despite a strong consensus (98%) on bottlenecks resulting in a lack of take-up on supplier discounting offers.

How does your organization’s current cash position compare to a year ago?

<table>
<thead>
<tr>
<th>Cash position compared to a year ago</th>
<th>GLOBAL</th>
<th>REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>More cash in the bank</td>
<td>26%</td>
<td>40%</td>
</tr>
<tr>
<td>No difference</td>
<td>65%</td>
<td>48%</td>
</tr>
<tr>
<td>Less cash in the bank</td>
<td>9%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Is there a stated objective in your business for the finance strategy to generate value (cash) from the existing cash in the bank by investment or other means?

<table>
<thead>
<tr>
<th>Strategy to generate value from existing cash</th>
<th>GLOBAL</th>
<th>REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>No</td>
<td>92%</td>
<td>91%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

As a buyer/As a supplier, in the last 12 months have you used payment terms as a strategic lever to help manage your cashflow?

<table>
<thead>
<tr>
<th>Using payment terms as a strategic lever</th>
<th>GLOBAL</th>
<th>REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>25%</td>
<td>33%</td>
</tr>
<tr>
<td>No</td>
<td>75%</td>
<td>67%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Creating Payment Energy
Germany

Germany is similar to the UK in many areas when compared to the global averages in the study. It does not advocate late supplier payment to the same degree as other territories. In fact, at 41%, it rates as the region least likely to have delayed payment as a stated cashflow strategy.

Aligned to the UK and Denmark, Germany has a below average number of respondents with more cash in the bank than 12 months ago (35%). It is also less likely than average to have a stated goal around generating value from cash held in the business.

German business sentiment is at odds with the global consensus surrounding the late payment of invoices being a ‘fact of business life’. Only 39% or German respondents, the lowest in the study, consider that this will always be the case.

**Figure A**

Which of the following has your organization done in the last 12 months to help improve its cash position?

- Delay paying suppliers: 41% (Region), 57% (Global)
- Tightened its payment terms for buyers: 45% (Region), 44% (Global)
- Started or added more focus on e-invoicing: 44% (Region), 44% (Global)
- Accessed credit / Finance: 39% (Region), 43% (Global)

**Figure B**

<table>
<thead>
<tr>
<th>Question Wording</th>
<th>Total</th>
<th>Germany</th>
<th>Up/down</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent do you agree? Social responsibility to pay suppliers promptly</td>
<td>88%</td>
<td>88%</td>
<td>-</td>
</tr>
<tr>
<td>To what extent do you agree? Late payment is a fact of business life and will always happen</td>
<td>74%</td>
<td>39%</td>
<td>▼</td>
</tr>
<tr>
<td>What do you see as the potential wider commercial impacts of persistent late payment of invoices?</td>
<td>10%</td>
<td>15%</td>
<td>▲</td>
</tr>
<tr>
<td>To what extent do you agree? Experiencing more downward price pressure</td>
<td>66%</td>
<td>68%</td>
<td>▲</td>
</tr>
<tr>
<td>To what extent do you agree? Internal bottlenecks prevent businesses taking advantage of early payment discounts</td>
<td>69%</td>
<td>60%</td>
<td>▼</td>
</tr>
<tr>
<td>What type of automation does your organization have to manage invoice payment efficiency?</td>
<td>23%</td>
<td>22%</td>
<td>▼</td>
</tr>
</tbody>
</table>

Please select any options from the list below that you believe would result from the following statement: If every customer paid invoices on time we would be able to...

- Invest more in our business overall or Improve relationships with creditors or Reduce our credit lines: 82% (Total), 68% (Germany)

**Figure C**

- How does your organization’s current cash position compare to a year ago?
  - More cash in the bank: 6% (Global), 35% (Region)
  - No difference: 48% (Global), 48% (Region)
  - Less cash in the bank: 4% (Global), 11% (Region)

- Cash position compared to a year ago: 58% (Global), 35% (Region)

- Is there a stated objective in your business for the finance strategy to generate value (cash) from the existing cash in the bank by investment or other means?
  - Yes: 35% (Global), 32% (Region)
  - No: 65% (Global), 68% (Region)
  - Don’t Know: 0% (Global), 0% (Region)

- Strategy to generate value from existing cash:
  - More cash in the bank: 6% (Global), 35% (Region)
  - No difference: 48% (Global), 48% (Region)
  - Less cash in the bank: 4% (Global), 11% (Region)

- As a buyer/As a supplier, in the last 12 months have you used payment terms as a strategic lever to help manage your cashflow?
  - Yes: 35% (Global), 32% (Region)
  - No: 65% (Global), 68% (Region)
  - Don’t Know: 0% (Global), 0% (Region)

Creating Payment Energy
The Netherlands, like Germany and the UK, does not support the view that late supplier payment is a ‘fact of business life’. Only 44% of Dutch respondents believe this is the case against a global average of 74%. Furthermore, the Netherlands, UK and Germany are less likely to delay payment to suppliers as part of a cash management strategy (50%).

Only 30% of Dutch respondents consider that they have more cash in the bank now than they did 12 months ago and this is consistent with other regions when looking at the level of focus on cash management overall. 48% of businesses in the Netherlands have a stated goal to generate value from the cash held in the business, lower than the average of 69%.

In terms of supplier discounts, the Netherlands has less of a challenge with the payment processes that enable them to access such offers (57%). They are also less likely in the last 12 months to have used payment terms as a strategic lever to help manage their cashflow (59%) against the global average.

**Figure A**
Which of the following has your organization done in the last 12 months to help improve its cash position?

<table>
<thead>
<tr>
<th>Region</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay paying suppliers</td>
<td>50%</td>
</tr>
<tr>
<td>Tightened its payment terms for buyers</td>
<td>36%</td>
</tr>
<tr>
<td>Started or added more focus on e-invoicing</td>
<td>37%</td>
</tr>
<tr>
<td>Accessed credit / Finance</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Figure B**

<table>
<thead>
<tr>
<th>Question Wording</th>
<th>Total</th>
<th>Netherlands</th>
<th>Up/down</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent do you agree? Social responsibility to pay suppliers promptly</td>
<td>88%</td>
<td>82%</td>
<td>▼</td>
</tr>
<tr>
<td>To what extent do you agree? Late payment is a fact of business life and will always happen</td>
<td>74%</td>
<td>44%</td>
<td>▼</td>
</tr>
<tr>
<td>What do you see as the potential wider commercial impacts of persistent late payment of invoices? Impacts of persistent late invoice payment - None</td>
<td>10%</td>
<td>12%</td>
<td>▲</td>
</tr>
<tr>
<td>To what extent do you agree? Experiencing more downward price pressure</td>
<td>66%</td>
<td>60%</td>
<td>▼</td>
</tr>
<tr>
<td>To what extent do you agree? Internal bottlenecks prevent businesses taking advantage of early payment discounts</td>
<td>69%</td>
<td>57%</td>
<td>▼</td>
</tr>
<tr>
<td>What type of automation does your organization have to manage invoice payment efficiency? High automation</td>
<td>23%</td>
<td>22%</td>
<td>▼</td>
</tr>
<tr>
<td>Please select any options from the list below that you believe would result from the following statement: If every customer paid invoices on time we would be able to... Invest more in our business overall or Improve relationships with creditors or Reduce our credit lines</td>
<td>82%</td>
<td>72%</td>
<td>▼</td>
</tr>
</tbody>
</table>

**Figure C**

- **How does your organization’s current cash position compare to a year ago?**
  - 58% More cash in the bank
  - 40% No difference
  - 12% Less cash in the bank

- **Is there a stated objective in your business for the finance strategy to generate value (cash) from the existing cash in the bank by investment or other means?**
  - 48% Yes
  - 32% No
  - 9% Don’t know

- **As a buyer/As a supplier, in the last 12 months have you used payment terms as a strategic lever to help manage your cashflow?**
  - 40% Yes
  - 33% No
Norway demonstrates a high level of focus on cash management and stated goals around generating value from cash in the business (85%). The region has a strong consensus regarding the importance of paying suppliers on time. However it is also more likely to have delayed payment to suppliers in the past 12 months than any other region (81%).

While Norwegian businesses balance the paradox of the importance of timely supplier payments while favouring a strategy to delay supplier payments, they are less likely to consider that late payment as a ‘fact of business life’ (61%) that will never change.

While the region has slightly above average levels of payment automation in place (26%) to manage accounting processes, bottlenecks at a supplier level prevail. 90% of Norwegian respondents state that bottlenecks prevent the company taking advantage of early payment discounts.

---

**Figure A**

Which of the following has your organization done in the last 12 months to help improve its cash position?

<table>
<thead>
<tr>
<th>Action</th>
<th>Region</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay paying suppliers</td>
<td>57%</td>
<td>81%</td>
</tr>
<tr>
<td>Tightened its payment terms for buyers</td>
<td>46%</td>
<td>50%</td>
</tr>
<tr>
<td>Started or added more focus on e-invoicing</td>
<td>43%</td>
<td>50%</td>
</tr>
<tr>
<td>Accessed credit / Finance</td>
<td>41%</td>
<td>51%</td>
</tr>
</tbody>
</table>

---

**Figure B**

<table>
<thead>
<tr>
<th>Question Wording</th>
<th>Total</th>
<th>Norway</th>
<th>Up/down</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent do you agree? Social responsibility to pay suppliers promptly</td>
<td>88%</td>
<td>96%</td>
<td>▲</td>
</tr>
<tr>
<td>To what extent do you agree? Late payment is a fact of business life and will always happen</td>
<td>74%</td>
<td>61%</td>
<td>▼</td>
</tr>
<tr>
<td>What do you see as the potential wider commercial impacts of persistent late payment of invoices?</td>
<td>10%</td>
<td>4%</td>
<td>▼</td>
</tr>
<tr>
<td>To what extent do you agree? Experiencing more downward price pressure</td>
<td>66%</td>
<td>92%</td>
<td>▲</td>
</tr>
<tr>
<td>To what extent do you agree? Internal bottlenecks prevent businesses taking advantage of early payment discounts</td>
<td>69%</td>
<td>90%</td>
<td>▲</td>
</tr>
<tr>
<td>What type of automation does your organization have to manage invoice payment efficiency?</td>
<td>High automation</td>
<td>23%</td>
<td>26%</td>
</tr>
<tr>
<td>Please select any options from the list below that you believe would result from the following statement: If every customer paid invoices on time we would be able to...</td>
<td>Invest more in our business overall or Improve relationships with creditors or Reduce our credit lines</td>
<td>82%</td>
<td>96%</td>
</tr>
</tbody>
</table>

---

**Figure C**

<table>
<thead>
<tr>
<th>How does your organization's current cash position compare to a year ago?</th>
</tr>
</thead>
</table>

- More cash in the bank - 68%  (Global), 48%  (Region)
- No difference - 6%  (Global), 11% (Region)
- Less cash in the bank - 26%  (Global), 40% (Region)

<table>
<thead>
<tr>
<th>Is there a stated objective in your business for the finance strategy to generate value (cash) from the existing cash in the bank by investment or other means?</th>
</tr>
</thead>
</table>

- Yes - 6%  (Global), 9% (Region)
- No - 85% (Global), 22% (Region)
- Don't know - 9%  (Global), 6% (Region)

| As a buyer/As a supplier, in the last 12 months have you used payment terms as a strategic lever to help manage your cashflow? |

- Using payment terms as a strategic lever - 38%  (Global), 33%  (Region)
- No - 62%  (Global), 67%  (Region)
- Don't know - 9%  (Global), 9%  (Region)
Sweden

Sweden is less committed to the view that all suppliers should be paid on time (75%) than many other regions. Aside from Belgium, it shows the lowest level of consensus to this statement.

Consistent with other Scandinavian regions, there is a higher than average appetite to delay supplier payments as part of a broader cash management strategy (78%). However, downward price pressures are considered less of a factor for Swedish respondents, only 49% believe this is an issue influencing strategy against a global average of 66%.

Sweden has the highest incidence globally of business using structured negotiation of payment terms as a lever for managing cashflow (86%). The region also has higher than average cash position improvements from last year (62%). Sweden also has higher levels of automated payment processes than any other region in the study (29%).
The United Kingdom makes some effort to buck the trend globally around the importance of supplier payment being in conflict with measures and decisions to delay supplier payment. An advocate of timely supplier payment (94%), the region is least likely to have delayed supplier payments as part of a cashflow strategy over the past 12 months (40%).

The UK is also least supportive of the view that late supplier payment is a ‘fact of business life’, 51% of respondents consider this the case against an average of 74%.

It is notable against this backdrop that the UK has lower levels of businesses with more cash in the bank that 12 month ago (37%) and is less likely to have stated goals around generating value from cash held in the business (55%).

The UK is the region with the lowest levels of payment automation in the research (16%).

Figure A
Which of the following has your organization done in the last 12 months to help improve its cash position?

<table>
<thead>
<tr>
<th>Region</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>57%</td>
</tr>
<tr>
<td>46%</td>
<td>53%</td>
</tr>
<tr>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>53%</td>
<td></td>
</tr>
</tbody>
</table>

Figure B
Question Wording | Total | UK | Up/down |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent do you agree? Social responsibility to pay suppliers promptly</td>
<td>88%</td>
<td>94%</td>
<td>▲</td>
</tr>
<tr>
<td>To what extent do you agree? Late payment is a fact of business life and will always happen</td>
<td>74%</td>
<td>51%</td>
<td>▲</td>
</tr>
<tr>
<td>What do you see as the potential wider commercial impacts of persistent late payment of invoices? Impacts of persistent late invoice payment - None</td>
<td>10%</td>
<td>9%</td>
<td>▼</td>
</tr>
<tr>
<td>To what extent do you agree? Experiencing more downward price pressure</td>
<td>66%</td>
<td>66%</td>
<td>-</td>
</tr>
<tr>
<td>To what extent do you agree? Internal bottlenecks prevent businesses taking advantage of early payment discounts</td>
<td>69%</td>
<td>65%</td>
<td>▼</td>
</tr>
<tr>
<td>What type of automation does your organization have to manage invoice payment efficiency? High automation</td>
<td>23%</td>
<td>16%</td>
<td>▼</td>
</tr>
<tr>
<td>Please select any options from the list below that you believe would result from the following statement: If every customer paid invoices on time we would be able to…</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invest more in our business overall or Improve relationships with creditors or Reduce our credit lines</td>
<td>82%</td>
<td>82%</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure C
How does your organization's current cash position compare to a year ago?
Cash position compared to a year ago

<table>
<thead>
<tr>
<th>GLOBAL</th>
<th>REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>46%</td>
<td>17%</td>
</tr>
<tr>
<td>48%</td>
<td>37%</td>
</tr>
<tr>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

Creating Payment Energy
The US is almost entirely in agreement that there is a responsibility for companies to pay suppliers on time (97%) and has relatively low support for delaying supplier payments as part of a broader cash management strategy, 43% against an average of 57%. However, the degree to which US businesses consider that late payment is and will always be a ‘fact of business life’ is consistent with the global average (72%).

The US shows less evidence of proactive approaches to cashflow and cash management than other regions. Only 37% of US businesses are in a stronger cash position than 12 months ago. However, with 65% having a clearly stated goal to generate value from the cash held in the business, consistent with global averages (69%), the implication is that US businesses are experiencing less cash pressures overall.

US companies are less likely to be experiencing downward price pressures than other regions in the study, 56% against an average of 66%.

---

**Figure A**

Which of the following has your organization done in the last 12 months to help improve its cash position?

- Delay paying suppliers: 43%
- Tightened its payment terms for buyers: 43%
- Started or added more focus on e-invoicing: 49%
- Accessed credit / Finance: 43%

**Figure B**

<table>
<thead>
<tr>
<th>Question Wording</th>
<th>Total</th>
<th>US</th>
<th>Up/down</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent do you agree? Social responsibility to pay suppliers promptly</td>
<td>88%</td>
<td>97%</td>
<td>▲</td>
</tr>
<tr>
<td>To what extent do you agree? Late payment is a fact of business life and will always happen</td>
<td>74%</td>
<td>72%</td>
<td>▼</td>
</tr>
<tr>
<td>What do you see as the potential wider commercial impacts of persistent late payment of invoices?</td>
<td>10%</td>
<td>7%</td>
<td>▼</td>
</tr>
<tr>
<td>To what extent do you agree? Experiencing more downward price pressure</td>
<td>66%</td>
<td>56%</td>
<td>▼</td>
</tr>
<tr>
<td>To what extent do you agree? Internal bottlenecks prevent businesses taking advantage of early payment discounts</td>
<td>69%</td>
<td>61%</td>
<td>▼</td>
</tr>
<tr>
<td>What type of automation does your organization have to manage invoice payment efficiency?</td>
<td>23%</td>
<td>19%</td>
<td>▼</td>
</tr>
<tr>
<td>Please select any options from the list below that you believe would result from the following statement: If every customer paid invoices on time we would be able to...</td>
<td>82%</td>
<td>87%</td>
<td>▲</td>
</tr>
</tbody>
</table>

---

**Figure C**

- **How does your organization’s current cash position compare to a year ago?**
  - More cash in the bank: 16%
  - No difference: 37%
  - Less cash in the bank: 47%

- **Is there a stated objective in your business for the finance strategy to generate value (cash) from the existing cash in the bank by investment or other means?**
  - Yes: 65%
  - No: 22%
  - Don’t Know: 9%

- **As a buyer/As a supplier, in the last 12 months have you used payment terms as a strategic lever to help manage your cashflow?**
  - Yes: 67%
  - No: 33%
  - Don’t Know: 9%
Further information

Basware is the global leader in providing purchase-to-pay and e-invoicing solutions in the world of commerce. We empower companies to unlock value across their financial operations by simplifying and streamlining key financial processes. Our Basware Commerce Network, the largest open business network in the world, connects 1 million companies across 100 countries and enables easy collaboration between buyers and suppliers of all sizes. Through this network, leading companies around the world achieve new levels of spend control, efficiency and closer relations with their suppliers. With Basware, businesses can introduce completely new ways of buying and selling to achieve significant cost savings and boost their cashflow.

Find out how Basware helps money move more easily and lets commerce flow at www.basware.com.

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MasterCard is a technology company in the global payments industry. We operate the world’s fastest payments processing network, connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories.

MasterCard’s products and solutions make everyday commerce activities – such as shopping, traveling, running a business and managing finances – easier, more secure and more efficient for everyone.

The MasterCard Enterprise Partnerships team has been formed to bring MasterCard’s existing assets, technology, network, reach, products and solutions to bear in areas that are outside MasterCard’s traditional domain. We are partnering with global market leaders who have significant depth of experience in their industries, combining their knowledge and infrastructure with our assets in order to drive real enterprise value.

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www.mastercard.com
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